



UPGROWTH

EQUITY EXCHANGE LIMITED

The liquid, easy access, secondary
exchange for private equity



UPGROWTH in a single thought

"The Start-up and crowdfunding market is broken.

*Lack of **liquidity** requires rapid growth expectations, which creates a need for increased risk taking to meet these expectations resulting in a **high failure rate**, which results in high growth expectations in those that survive, a **self reinforcing negative cycle**. Upgrowth solves this by **providing compliant liquidity** to early investors, owners and employees."*



Executive Summary

- **The Private Share Market**

- ❑ Currently there are limited options to sell shares in smaller, private companies to the wider market
- ❑ Employees of smaller companies & start-ups left with no possibility for liquidity
- ❑ Complicated and hard-to-control capital structure tables (“cap tables”) for SMEs and start-ups

- **Where we are now**

- ❑ Pre-launch phase
- ❑ Detailed research undertaken
- ❑ Key partners and suppliers identified
- ❑ SEIS and EIS pre-approved

- **What is Upgrowth?**

- ❑ Software backed platform to provide a market place for private shares
- ❑ Connects shareholders with investors
- ❑ Adds liquidity to typically illiquid market
- ❑ Makes start-ups and SMEs more attractive for employees
- ❑ Allows companies better control over their cap tables

- **Next steps**

- ❑ Connect with strategic investor
- ❑ Investment of ~£200k needed to get platform up and running and commence initial marketing



The Problem(s)

The Shareholder

- ❑ An early crowd funding investor without ability to liquidate position
- ❑ Employees of SMEs or start-ups with limited options for profiting from time investment in business
- ❑ Locked into potentially very long term investment in business
- ❑ Not able to capitalize on business growth

The Investor

- ❑ A world of low interest rates and unicorn start-ups
- ❑ Difficult to access shareholdings of start-ups unless crowdfunding or an angel investor
- ❑ Differing risk profiles of investors but no market place to access a wide variety of shares to match with risk appetite

The Company

- ❑ Start-up or SME – likely between £0 and £20m EV
- ❑ Aim to incentivize new or existing employees who don't want to be locked into very long term options
- ❑ Unable or unwilling to deal with complicated cap tables – which often contain awkward share classes and have to be cleaned up by VC or PE investors at a later stage



The market opportunity

Initial focus on UK market with phase two expansion to Europe

Global	<ul style="list-style-type: none">• In 2Q15 \$2.1T in venture capital funds globally• 2Q15 saw 24 new billion-dollar companies (12 in US).
United States	<ul style="list-style-type: none">• In 2Q15 \$18.7B was invested in 1,129 deals• US funding on track for \$50B+ year• Early-stage deal sizes have grown in US from \$3M in 1Q15 to \$3.5M in 2Q15• 80 Unicorns. 12 in 2Q15.• Equity Crowdfunding \$662M
Europe	<ul style="list-style-type: none">• 13 European venture capital funds accumulated £618M 2Q15• 40 Unicorns (17 from UK)• The UK accounted for ~1/3 of all funding and deals in Europe in 2Q15• Fintech industry is the industry gaining 'unicorns' at the fastest rate
UK	<ul style="list-style-type: none">• In 2Q15, £669M was invested in 117 deals of over £0.5M• Up to 3Q15, £1,286M had been invested in 236 deals• Private investors participated in 44% of deals• Crowdfunding platforms financed 13% of deals• 17 Unicorns• £84M Equity Crowdfunding 2014



Our Solution

HOW WE SEE OURSELVES

Upgrowth is the efficient and liquid market for the exchange of private equity.

WHERE WE WANT TO GO

Through a liquid, easy access, secondary exchange provide transparency and eradicate inefficiencies in the private equity market.



Our solution continued...

Successful companies can grow exponentially in a short space of time. This increases complexity and a simple spreadsheet with a few shareholders becomes a multitude of share classes and equity participants. All with different liquidity needs and aspirations.

Growth --> Complexity --> Inefficiency --> Limiting further growth...

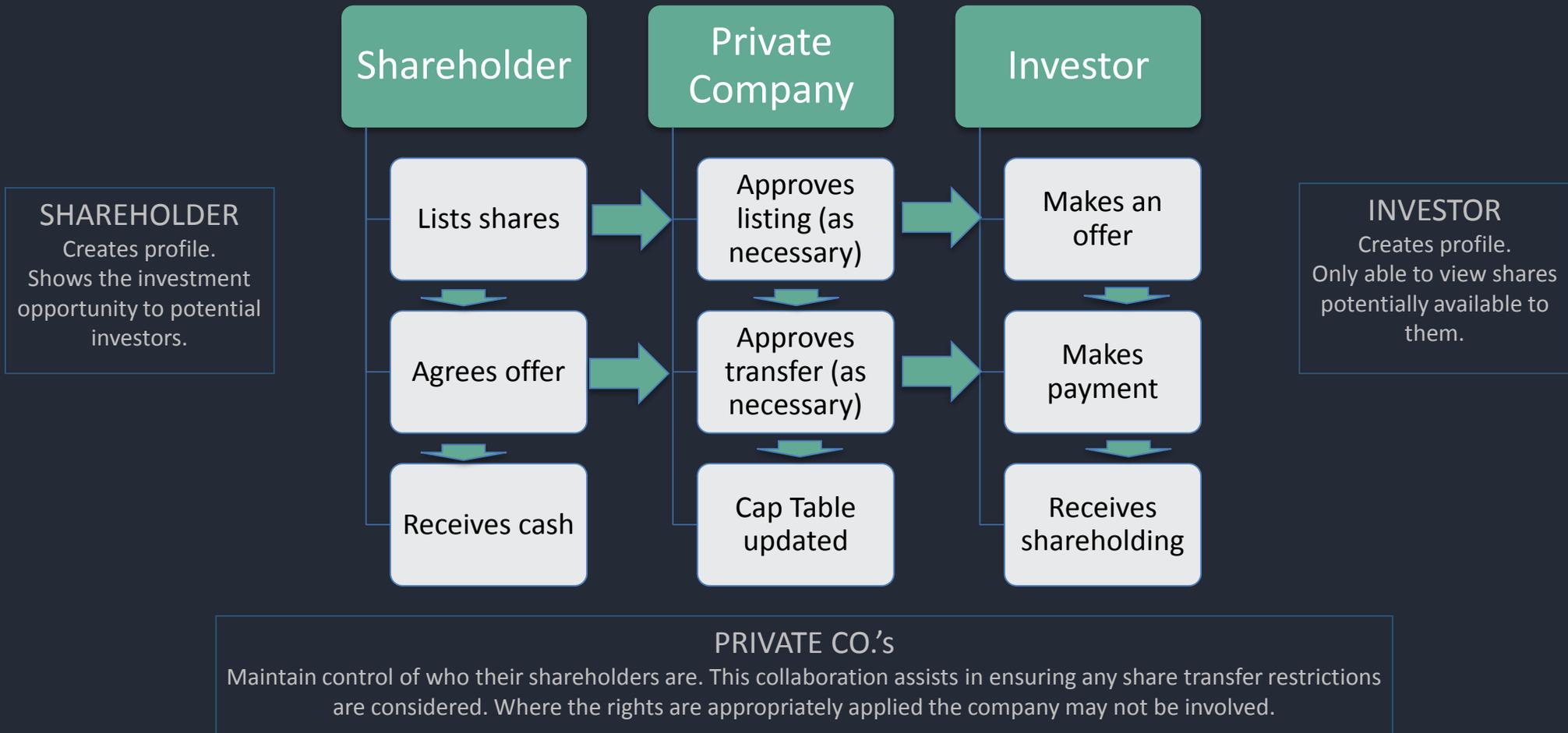
Upgrowth works to remove inefficiencies and maximize value.

This is done by:

- **Enabling liquidity** for founders, employees & early investors (Including *the Crowd*).
- Efficiently providing a platform for **buyers and sellers to connect**, while facilitating share transfers.
- Simpler and easier **management, tracking** and monitoring of **deal flow**.



Our solution continued...





Our solution continued....

Key features of the platform include:

- **Helping shareholders and investors by:**
 - Access rights to profiles & shares embedded. E.g. employee only shares will be visible only to other verified employees.
 - Providing a platform to realize their investment.
 - Transparent market window for both the buy & sell side of private company equity.
- **Automated deal flow assistance for Companies:**
 - Allows appropriate control over transfers.
 - Facilities to authorize transfers.
 - Potential cap-table maintenance including share rights, classes and restrictions.



Competitive landscape

Name	Base	Key Activities	Some Observations/Opportunities
DELETED FOR SHARING		£22m transactions on secondary market platform. Offer BookBuild, an online facility to facilitate efficient and cost-effective pricing and allocation of primary and secondary share placements where companies and shareholders can access qualifying investors and raise equity capital at a lower cost.	Looks to replicate stock market ~£2m invested in company; 2014-£515k loss; Transactions handled by a broker not them. Market volumes are currently still very low . They are looking for other means of revenue generation which could include establishing their own crowdfunding platform. Looks top heavy.
DELETED FOR SHARING		24/7 Secondary Market	Similar concept. Do not appear compliant with European Regulations in terms of no clear risk statement. It is unclear if they do not appear authorised by a regulatory authority.
DELETED FOR SHARING		Limited information as yet. Not registered with FCA.	Tweets and website look like financial promotion. Seems unlikely that they have permission to reference companies and utilise logos as they have done so far.
DELETED FOR SHARING		Market maker. Facilitate tenders and buybacks via their software (not a marketplace).	In the US. Recently acquired. Transactions of ~\$2.5bn.
DELETED FOR SHARING		\$2b on platform. conduct actual share transfers whenever a transaction occurs via their SLP. The company changes their cap-table, allows shareholders to sell their stock.	Outlines legal fees clearly. Share transfers are also subject to Right of First Refusal (ROFR) by the company. Facilitates companies on verge of IPO.
DELETED FOR SHARING		Targeted second wave of VC backed secondary markets in 2013. Traction with companies \$50m+.	Helped companies retain control and oversight of their cap table. Their Participation agreement enables them to abide by all companies' transfer restrictions.
DELETED FOR SHARING		Company Secretary creates a spreadsheet and connects buyers and sellers (How second market started).	Many companies would like to create liquidity. It is a problem for employees and early investors.
High Growth Company	UK	Set up an annual internal trading mechanism with a window of between 2- 4 weeks to allow employees to buy or sell their shares.	It was a system they set up themselves. It was widely used and valued by employees.



Competitive landscape continued...

“Why isn’t someone else already providing this solution?”

- 1. Timing** – SEIS and EIS require you to hold shares for 3 years, crowdfunding took off in the UK 2012/2013.
- 2. Capital Markets** – The regulatory compliance of a Capital Market is far more onerous than the current Crowdfunding (FCA) regulation. It is difficult for someone from a Capital market background to consider alternatives. The key distinction being are the shares readily tradeable. Typically most give the company right of first refusal, in cases where this is not the case, we could include a simple restriction, such as not allowed to sell for 3 months. (The FCA does not distinguish between primary and secondary trade)
- 3. Regulation** – The innovative and bootstrap thinking (MVP, MDP) of the startup world is not congruent with the regulatory market. Regulations are different in different jurisdictions.



Key Next Steps

- **Raise ~£200k investment from a strategic partner:**
 - Keen to have an investor with interest and network in Fintech industry
 - Money to be used for:
 - Development of software to drive market place platform
 - Regulatory compliance
 - Testing of platform
 - Initial implementation and marketing
- **Key Partners:**
 - **DELETED for SHARING**



Next steps – longer term

Phase	Key Service Offerings	Target Market	Revenue Source	Target Date
1	Min. Viable Product – Working Platform	Unrestricted Private Equity	Commissions from transfers (5%-10%)	1Q17-2Q17
2	Aggressive promotional sales launch (hard launch)	High growth entities	Nominal fee for use of platform (lock in)	3Q17-BAU
3	+Integrated analytics & enhanced functionality	Existing customers and new customers with more complex needs	+Optional “pro” version	1Q18
4	Full Deal Facilitator with smoother and fewer deal steps	Entities preparing for Ownership transformations e.g. buy-outs or IPOs	Fees for deal facilitation	2Q18-4Q18
5	Phased launch in other markets	Ireland, South Africa, other European & commonwealth countries	As above	2Q18-BAU



Upgrowth – Experience the Journey with us

Stay in touch - contact@upgrowth.co.uk